

## Message Text

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ACTION SS-25

INFO OCT-01 ISO-00 SSO-00 NSCE-00 /026 W

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O R 140100Z JUL 75

FM AMEMBASSY BRASILIA

TO SECSTATE WASHDC NIACT IMMEDIATE 322

INFO AMCONSUL RIO DE JANEIRO

AMCONSUL SAOPAULO

C O N F I D E N T I A L SECTION 1 OF 2 BRASILIA 5761

EXDIS

E.O. 11652: GDS

TAGS: OVIP (ROBINSON, CHARLES A) EGEN, BR, US

SUBJECT: UNDER SECRETARY ROBINSON'S CONSULTATIONS IN BRAZIL--  
SUMMARY

REF: BRASILIA 5760, BRASILIA 5700

1. THIS TELEGRAM SUMMARIZES SEP TELS ON UNDER SECRETARY ROBINSON'S  
CONSULTATIONS IN BRASILIA ON JULY 10-11:

PART A-MEETING WITH FORMIN SILVEIRA

PART B-MEETING WITH MINES AND ENERGY MINISTER UEKI

PART C-MEETING WITH FINANCIAL OFFICIALS

PART D-MEETING WITH FORMIN'S ECONOMIC POLICY OFFICIALS

A SIXTH TELEGRAM, NOT SUMMARIZED HERE, DISCUSSES THE TECHNICAL  
LEVEL MEETING ABOUT THE DETAILS OF THE NEW ECONOMIC CONSULTATIVE  
GROUP AND THE TRADE SUB-GROUP.

2. PART A. MEETING WITH FORMIN SILVEIRA.

A) SILVEIRA SAID HE WOULD SUPPORT A CONSENSU ON THE PLAN TO  
RESUME THE PRODUCERS/CONSUMERS DIALOGUE BUT HE THOUGHT THE  
APPROACH WOULD RUN INTO PROBLEMS OVER SUCH ISSUES AS THE  
SELECTION OF THE 27.

B) SILVEIRA ALSO EXPRESSED CONCERN THAT THE PLAN WOULD REMAIN  
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ESSENTIALLY AN "ORGANIZATIONAL" DEVICE. HE RECOGNIZED THE

IMPORTANCE OF THE SECRETARY'S KANSAS CITY, IEA, AND OECD SPEECHES AND CALLED THEM A VERY GREAT EFFORT, IN PERSONAL AND POLITICAL TERMS, ON THE PART OF THE SECRETARY. HE FELT THE FORCES AGAINST SUCH A BROAD INITIATIVE WITHIN THE USG WERE CONSIDERABLE AND WERE NOW REFLECTED IN US ACTIONS AND STATEMENTS, SUCH AS US ASSENT TO THE MOST RECENT CONSUMERS' COFFEE PAPER IN LONDON AND TESTIMONY BY DEPARTMENT SPOKESMEN BEFORE CONGRESSIONAL COMMITTEES.

C) SILVEIRA (REPEATING THE VIEWS OF HIS CHIEF OF CABINET, AMBASSADOR SOUTO MAIOR) ARGUED STRONGLY THAT A PRAGMATIC, COMMODITY-BY-COMMODITY APPROACH TO THE COMMODITY PROBLEM DID NOT WORK IN AN ACTUAL NEGOTIATING CONTEXT, AND THAT THERE WAS NEED FOR POLITICAL ACCEPTANCE AND COMMITMENT TO FAIRLY PRECISE GUIDING PRINCIPLES, WHICH COULD THEN BE APPLIED TO SPECIFIC COMMODITY SITUATIONS. HE THOUGHT THE WORK IN THE NEW COMMISSION ON COMMODITIES WAS DOOMED FROM THE OUTSET UNLESS THE US COULD ACCEPT THIS BASIC CONCEPT BECAUSE THE LDC PARTICIPANTS COULD NOT AGREE TO DEPART FROM IT. SILVEIRA SAID THAT THE CONSUMERS' PAPER PRESENTED IN THE LONDON COFFEE NEGOTIATIONS WAS UNACCEPTABLE TO BRAZIL REGARDLESS OF HOW MANY OTHER COUNTRIES SUPPORTED IT.

D) SILVEIRA WAS APPRECIATIVE OF THE US PROPOSAL FOR AN INFORMAL HIGH-LEVEL CONSULTATIVE GROUP ON ECONOMIC AFFAIRS, WITH A SUBGROUP ON TRADE. HE READILY ACCEPTED IT, AND GOOD PROGRESS WAS MADE BY A WORKING PARTY IN DEFINING AN AGENDA AND WORK PROGRAM. AT THE SAME TIME, SILVEIRA SAID HE HAD HOPED WE COULD ESTABLISH A BROADER "COMMISSION" THAT WOULD FOCUS ON MANY PROBLEMS INSTEAD OF ON THE MOST DIFFICULT PROBLEM AREA BETWEEN THE USG AND GOB, THAT OF TRADE. HE REMAINED INTERESTED IN THIS HIGH-LEVEL COMMISSION CONCEPT, IF WE SHOULD CHANGE OUR MIND. THE US SIDE NOTED THAT THE LIMITED CONSULTATION ARRANGEMENT WHICH WE HAD PROPOSED FOR ECONOMIC AFFAIRS DID NOT DILUTE IN ANY WAY OUR STRONG INTEREST IN CONTINUING HIGH-LEVEL CONSULTATIONS ON A WIDE VARIETY OF PROBLEMS.

### 3. PART B. MEETING WITH MINES AND ENERGY MINISTER UEKI.

A) UEKI SAID BRAZIL COULD NOT WAIT MUCH LONGER FOR CLARIFICATION.  
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CATION OF THE US POSITION ON THE TWO CONDITIONAL URANIUM ENRICHMENT CONTRACTS AND HE MADE A FORMAL REQUEST TO THE UNDER SECRETARY FOR AN EARLY US RESPONSE. THE MINISTER SAID THE IMPORTANCE OF THE FRG-GOB NUCLEAR ACCORD, WHICH INVOLVED THE PURCHASE OF FIRST GENERATION PWR REACTORS, HAD BEEN EXAGGERATED, AND HE UNDERLINED HIS HOPE FOR CONTINUED CLOSE COOPERATION WITH THE US. IF THE US AND BRAZIL COULD NOT REACH AGREEMENT SOON ABOUT THE TWO CONTRACTS, BRAZIL MIGHT, HOWEVER RELUCTANTLY,

HAVE TO TURN TO THE SOVIET UNION WHICH HAD OFFERED TO SUPPLY THESE SERVICES.

B) PURSUING THE THEME OF COOPERATION, UEKI SUGGESTED THAT IN FIFTEEN YEARS THE SUPPLY SITUATION FOR URANIUM WOULD BE WORSE THEN THAT FOR PETROLEUM TODAY AND THAT, GIVEN THIS GLOBAL PROSPECT, BRAZIL HAD TO DO WHAT IT COULD TO DEVELOP ITS OWN TECHNICAL AND RESOURCE POTENTIAL. THE FIRST GENERATION GERMAN TECHNOLOGY WOULD BE ONLY THE FIRST STEP. HE EXPRESSED INTEREST IN THE GENERAL ATOMICS HIGH-TEMPERATURE GAS-COOLED REACTOR (HTGR) AND IN THE FAST BREEDER. HE ASKED THAT THE US EXAMINE THE POSSIBILITIES FOR BRAZIL'S PARTICIPATION IN THE ERDA RESEARCH AND DEVELOPMENT PROGRAM.  
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FM AMEMBASSY BRASILIA

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C O N F I D E N T I A L SECTION 2 OF 2 BRASILIA 5761

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PART C. MEETING WITH FINANCIAL OFFICIALS.

A) CENTRAL BANK PRESIDENT PAULO LIRA PROPOUNDED THE THESIS THAT THE MAGNITUDE OF THE ECONOMIC DETERIORATION IN THE NON-OIL PRODUCING LDCS SINCE THE ONSET OF THE ENERGY CRISIS, WITH AS YET UNFORESEEABLE LONG-RANGE POLITICAL CONSEQUENCES, WAS NOT FULLY APPRECIATED IN THE WEST, AND THAT PROGRESS TO DATE IN THE DEVELOPMENT COMMITTEE, IN THE IBRD, AND IN THE IMF WAS INADEQUATE TO THE TASK. THE INDUSTRIAL COUNTRIES HAD MADE CONSIDERABLE PROGRESS IN RECOVERING BALANCE OF PAYMENTS EQUILIBRIUM, BUT HAD DONE SO AT THE EXPENSE OF THE PERIPHERAL COUNTRIES, BY SHIFTING THEIR DEFICIT ONTO THE NON-OIL PRODUCING

LDCS. LIRA THOUGHT THERE WAS AN HISTORIC OPPORTUNITY FOR STATESMANSHIP, WHICH COULD COMBINE THE POLITICAL APPEAL OF A BROAD PROGRAM OF RECOVERY OF THE WORLD ECONOMY WITH THE STEPPED-UP TRANSFER OF NOW IDLE RESOURCES TO THE UNDER-DEVELOPED WORLD; FOR THE FIRST TIME IN THE POST-WAR PERIOD, THERE WAS NO CONFLICT BETWEEN THE EXPANSION OF DOMESTIC INCOME AND EMPLOYMENT AND LARGE INCREASES IN THE TRANSFER OF RESOURCES.

B) PLANNING MINISTER REIS VELLOSO GAVE A HIGHLY OPTIMISTIC ACCOUNT OF BRAZIL'S PROSPECTS THIS YEAR. ACCORDING TO THE MINISTER, ALL TARGETS, UNDER THE VARIOUS ECONOMIC PLANS AND PROGRAMS, WILL BE MET, INCLUDING A REDUCTION IN THE TRADE DEFICIT TO \$2.5 BILLION FROM \$4.5 BILLION LAST YEAR. A FURTHER REDUCTION OF RESERVES, DOWN TO \$4 BILLION  
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PLUS BY YEAR-END, WAS EXPECTED BUT THE INFLOW OF INTERNATIONAL FINANCING AND FOREIGN CAPITAL CONTINUED STRONG. PAULO LIRA WAS MORE CAUTIOUS BUT STRESSED THAT BRAZIL WOULD DO WHATEVER WOULD BE NECESSARY TO MAINTAIN A VIABLE BALANCE OF PAYMENTS SITUATION IN ORDER TO DEAL WITH THE INTERANTIONAL FINANCIAL COMMUNITY FROM A POSITION OF STRENGTH. BOTH AGREED THAT THE PERIOD IMMEDIATELY AHEAD WOULD BE THE MOST DIFFICULT BEFORE THE VARIOUS NATIONAL SELF-SUFFICIENCY PROGRAMS IN PRIMARY INDUSTRIES TAKE FULL EFFECT. UEKI REGISTERED GREAT CONCERN OVER WHAT HE CLAIMED WERE DELIBERATE US STEEL DELAYS IN THE \$2 BILLION CARAJAS IRON ORE PROJECT; WE NOTED THAT US STEEL MAINTAINED THAT THESE DELAYS WERE ASSOCIATED WITH NEW DEMANDS CONCERNING CORPORATE STRUCTURE BY THE BRAZILIAN SIDE (CVRD) RATHER THAN ANY UNWILLINGNESS BY US STEEL TO PROCEED. THERE WERE HINTS THAT BRAZIL MIGHT RESORT TO NEW STRONG MEASURES IF THIS SHOULD BE REQUIRED TO MAINTAIN BALANCE OF PAYMENTS EQUILIBRIUM.  
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## Message Attributes

**Automatic Decaptioning:** Z  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** DIPLOMATIC DISCUSSIONS, INTERGOVERNMENTAL COOPERATION, FOREIGN POLICY POSITION  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 14 JUL 1975  
**Decaption Date:** 28 MAY 2004  
**Decaption Note:** 25 YEAR REVIEW  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** MartinML  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
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**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** GS  
**Errors:** N/A  
**Film Number:** D750242-0329  
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**Original Handling Restrictions:** EXDIS  
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**Page Count:** 4  
**Previous Channel Indicators:** n/a  
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**Previous Handling Restrictions:** EXDIS  
**Reference:** 75 BRASILIA 5760, 75 BRASILIA 5700  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** MartinML  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 24 JUN 2003  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <24 JUN 2003 by BoyleJA>; APPROVED <05 NOV 2003 by MartinML>  
**Review Markings:**

Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
06 JUL 2006

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** UNDER SECRETARY ROBINSON'S CONSULTATIONS IN BRAZIL-- SUMMARY  
**TAGS:** OVIP, EGEN, BR, US, (ROBINSON, CHARLES W)  
**To:** STATE  
**Type:** TE  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006